

Message Text

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17

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 H-03 L-03 PA-04 PRS-01 USIA-15 INT-08 DRC-01

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 4124

INFO AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

C O N F I D E N T I A L ATHENS 4431

E.O. 11652: GDS

TAGS: EMIN, EFIN, EIND, GR

SUBJECT ASSESSMENT OF INVESTMENT, TAXATION, AND
EXPROPRIATION TRENDS IN THE ALUMINUM/BAUXITE
INDUSTRY

REF: (A) STATE 145450; (B) ATHENS 4208; (C) ATHENS 1754;
(D) ATHENS 4794 JULY 16, 1973.

1. FOLLOWING INFORMATION SUBMITTED IN RESPONSE QUESTIONS PARA 2
IN REFTTEL A:

(A) THERE ARE AT PRESENT NO FIRM PLANS FOR U.S. OR OTHER NON-
GREEK ENTRY INTO LOCAL BAUXITE EXTRACTION OR REFINING.
PECHINEY IS ALREADY ESTABLISHED IN ALUMINA (500,000 METRIC TONS
ANNUAL CAPACITY) AND ALUMINUM (150,000 METRIC TONS ANNUAL
CAPACITY) AS WELL AS BAUXITE. ALCOA AND REYNOLDS HAVE BOTH
AT VARIOUS TIMES INDICATED A SERIOUS INTEREST IN ALUMINA-
ALUMINUM PROJECTS HERE, AND MOST RECENTLY BAUXITES PARNASSE
(A LOCAL PRODUCER OF BAUXITE AND OTHER MINERALS) HAS BEEN
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IN DIRECT TOUCH WITH U.S. INTERESTS, BOTH FOR FINANCING AN

ALUMINA PLANT AND MARKETING ITS OUTPUT (SEE REF B). INTEREST HAS ALSO BEEN EXPRESSED FROM TIME TO TIME BY HUNGARIAN AND SOVIET GOVERNMENT AGENCIES. IT IS DOUBTFUL THAT JAMAICA'S ACTIONS HAVE HAD ANY EFFECT ON DECISIONS MADE TO DATE, BUT IT IS CONCEIVABLE INVESTMENT IN GREECE WILL NOT BECOME MORE ATTRACTIVE TO FOREIGN OPERATORS. (IT SHOULD BE NOTED THAT PECHINEY ENJOYS CONSIDERABLE ECONOMIC SUPPORT FROM THE GOG ESPECIALLY IN THE FORM OF SUBSIDIZED ELECTRIC POWER RATES.) ANY NEW ALUMINA-ALUMINUM VENTURE WOULD BE OBLIGED TO MARKET MOST OF ITS PRODUCTION OUTSIDE GREECE.

(B) GOG HAS EXHIBITED AN AMBIVALENT ATTITUDE ON FURTHER EXPANSION OF THE INDUSTRY. GOVERNMENT WISHES ENSURE AS MUCH PROCESSING AS POSSIBLE WITHIN GREECE, BUT WILL NOT SUBSIDIZE ANOTHER COMPANY TO SAME DEGREE AS PECHINEY. AGREEMENT IN PRINCIPLE WAS ANNOUNCED IN JULY 1973 WITH ALCOA FOR \$350 MILLION ALUMINA-ALUMINUM INVESTMENT BUT THIS SUBSEQUENTLY FELL THROUGH DUE MAINLY TO ELECTRIC RATE SUBSIDY ISSUE. SEE SECTION D.

(C) EMBASSY IS NOT AWARE OF ANY CONSIDERATION BY GOG TO FOLLOW JAMAICAN ACTION, OR TO PARTICIPATE IN ANY OTHER CONCERTED ACTIONS BY INTERNATIONAL BAUXITE ASSOCIATION, ALTHOUGH GOG DOES INSIST THAT GREEK EXPORTS BE AT OR CLOSE TO WORLD PRICES.

(D) NO U.S. FIRMS ARE PRESENTLY ENGAGED IN BAUXITE/ALUMINUM OPERATIONS IN GREECE. GOG RECENTLY OBLIGED PECHINEY TO RENEGOTIATE SECTION OF INVESTMENT AGREEMENT ON PRICE OF ELECTRIC POWER, BUT MEASURE WAS WELL JUSTIFIED BY SKYROCKETING OIL COSTS AND EVEN NEW POWER RATES FOR PECHINEY ARE MORE THAN 50 PERCENT BELOW POWER PRODUCTION COSTS. ALTHOUGH GREEKS HAVE PROPENSITY FOR RENEGOTIATING SUPPOSEDLY FIRM AGREEMENTS, TRACK RECORD OF FOREIGN INVESTMENT LAW 2687 WAS EXCELLENT UP TO GOVERNMENT 25 COUP. ALTHOUGH ATTITUDE TOWARD FOREIGN INVESTMENT BY CURRENT REGIME REMAINS SOMEWHAT UNCLEAR, A DRAMATIC DEPARTURE FROM PAST HISTORY SEEMS UNLIKELY. GREECE IS FACED WITH PERENNIAL BALANCE OF PAYMENTS PROBLEM WHICH HAS BEEN HEAVILY UNDERScoreD IN LAST 18 MONTHS. OBVIOUS NEED TO STIMULATE EXPORTS MAY MAKE GOG MORE RESPONSIVE ON FOREIGN INVESTMENT PROPOSALS CLEARLY LINKED TO EXPOT EARNINGS.

(E) GREECE HAS VERY SUBSTANTIAL BAUXITE RESERVES (500 MILLION METRIC TONS PROBABLE AND ON BILLION TONS INFERRED) WHICH ARE CONTROLLED AND EXPLOITED BY THREE GREEK FIRMS PLUS TWO

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PECHINEY-ONED VENTURESS. GREECE PRODUCES ABOUT THREE MILLION TONS OF BAUXITE ANNUALLY AND ROUGHLY HALF IS CONSUMED BY PECHINEY'S FACILITIES IN GREECE AND THE OTHER HALF IS EXPORTED PRIMARILY TO SIVET UNION. THUS UNTIL GREECE DEVELOPS ADDITIONAL DOMESTIC ALUMINA-ALUMINUM FACILITIES, GREECE MIGHT BE INDUCED TO PRODUCE AND EXPORT LARGER QUANTITIES OF BAUXITE AND ESPECIALLY IF WORKD PRICES SHOULD ESCALATE SIGNIFICANTLY. TASCA

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